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27 January 1959

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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

27 January 1959

DAILY BRIEF

I. THE COMMUNIST BLOC

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USSR-Finland: In talks with Finnish President Kekkonen, Khrushchev renewed earlier Soviet offers of trade credits and aid in developing Finnish industries. The two men agreed to negotiate a 1959 trade protocol "very soon" and, in the spring, a new long-term trade agreement. In a highly publicized speech on 23 January, Khrushchev warned against forming such governments as the recently fallen Fagerholm coalition, and against allowing elements in the Finnish press--"well paid by reactionary circles and possibly subsidized by third countries"--to criticize the USSR and Soviet-Finnish relations.

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II. ASIA-AFRICA

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Thailand: [Marshal Sarit, who now may be near total incapacitation, is expected to be succeeded initially by a duumvirate composed of General Thanom, his deputy, and General Prapat, the Bangkok military area commander. Their succession might, however, be challenged by certain of their subordinates who exercise direct command over armed units in the capital.]

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Afghanistan: Afghan Prime Minister Daud's long-planned official visit to India has been scheduled for 5-13 February. The composition of Daud's party suggests that Kabul wishes to secure Indian technical assistance and trade concessions. Kabul probably hopes to gain advantage from New Delhi's concern over Soviet economic penetration in Afghanistan and the displacement of India by the USSR as Afghanistan's largest trading partner.

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Ceylon: Colombo on 24 January signed a contract accepting the USSR's offer to design a steel mill which has been under consideration since early last year. The mill will be the largest Soviet project to be undertaken under the bilateral economic and technical cooperation agreement signed in February 1958. Other projects for which contracts have been signed include a Soviet wheat-flour mill and a Soviet-designed dam and hydroelectric power station.

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III. THE WEST

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Italy: President Gronchi's negotiations for a successor to Christian Democrat Amintore Fanfani's government are expected to start on 28 January, presumably with a plea for the re-formation of a coalition government. A coalition appears unlikely for the present, however, and a Christian Democratic cabinet depending on ad hoc parliamentary support from parties on the right or left may be the temporary solution. Possibilities for premier include left-of-center ex-Premier Segni and two rightists, Interior Minister Tambroni and ex-Foreign Minister Piccioni.

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Mexico-Guatemala: Despite Mexico's severance of diplomatic relations with Guatemala on 23 January over a shrimp boat dispute, there is no confirmation of Guatemalan charges that Mexican forces are massing on the frontier. Guatemalan ground forces apparently are being ordered to stay 15 miles from the Mexican frontier; incidents could arise, however, from the activities of Guatemalan

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DAILY BRIEF

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aircraft which are permitted to fly to within three miles of the frontier. Guatemalan President Ydigoras seems more interested in making political capital out of the dispute than in settling it rapidly. [REDACTED]

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Cuba: Fidel Castro, during his visit to Venezuela, attacked the United States both publicly and privately. He called for the "liberation" of Puerto Rico from the US along with the overthrow of Latin American dictators; Following Castro's attacks on US military missions the Cuban Government has formally "accepted" the US offer to withdraw the army, navy, and air missions.
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DAILY BRIEF

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I. THE COMMUNIST BLOC

Soviet-Finnish Talks

In the course of his talks with Finnish President Kekkonen, Khrushchev renewed earlier Soviet offers of credit and aid in developing Finnish industries. He agreed to negotiate a 1959 trade protocol "very soon" and, in the spring, a new long-term trade agreement--reportedly to be extended from five to seven years. According to the press, the USSR has also agreed to replace the Soviet ambassador to Finland who was abruptly withdrawn last September.

In a highly publicized speech on 23 January, Khrushchev stated that the USSR wants "improved" relations, but he warned Finland against forming such governments as the Fagerholm coalition, and against allowing elements in the Finnish press--"well paid by reactionary circles and possibly subsidized by third countries"--to criticize the USSR and Soviet-Finnish relations. He expressed hope that the newly formed Sukselainen government would "help strengthen friendship between the two countries."

The Finns have indicated relief over the thaw in relations with Moscow but are concerned that President Kekkonen may have further circumscribed Finland's "neutrality" to suit the USSR. The success of Soviet pressures in bringing about the replacement of a government which Moscow distrusted will further limit Finland's freedom of choice in the composition of future governments.

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Ceylon Signs Contract for a Soviet-designed Steel Mill

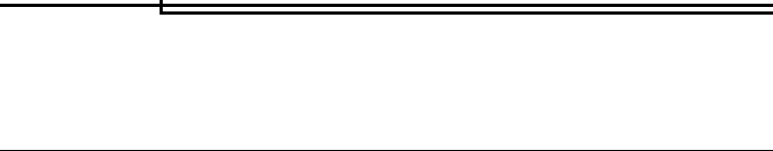
Ceylon and the USSR on 24 January signed a contract under which the Soviet Union will design the island's first steel mill. While the mill will be the largest of the few Soviet economic projects Colombo has accepted under a \$30,000,000 loan agreement signed on 25 February 1958, it apparently is to be a relatively small-scale undertaking. It is expected to produce 35,000 to 50,000 tons of rolled metal annually, and probably will not cost over \$10,000,000. Soviet specialists reportedly will be sent to Ceylon soon.

The principal immediate effect of this signing may be to win some prestige for the Bandaranaike government, whose long-standing promises of economic development have had few visible results to date. Over the long run, however, the project may prove to be impractical, since Ceylon lacks iron ore and will probably have to utilize imported scrap metal.

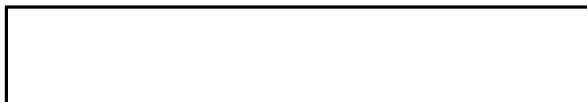
Colombo began to utilize the Soviet credit offer only recently. The first specific Soviet project to be accepted was a \$4,200,000 wheat-flour mill last December. Since then, contracts reportedly have been signed for a Soviet-designed dam, a hydroelectric power station, and other irrigation facilities in northern Ceylon. The USSR has also supplied mechanics and equipment for a sugar factory being built by Czechoslovakia in northeastern Ceylon.

Contracts for other Soviet undertakings may be signed in the near future since the Ceylonese Planning Council expects to finalize a ten-year development plan within the next three months.

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III. THE WEST

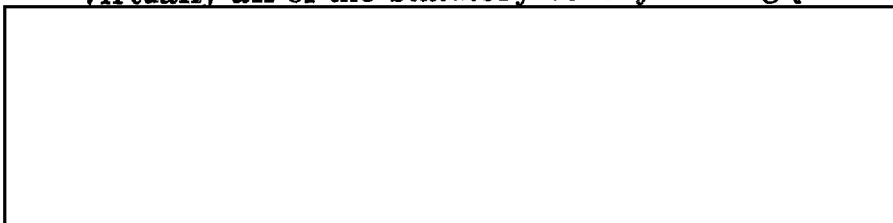
Italian President Seeks New Premier to Replace Fanfani

President Gronchi faces complicated negotiations for formation of a government to succeed that of Amintore Fanfani, who resigned on 21 January. With several Democratic Socialists dedicated to the idea of reunification with the Nenni Socialists and formation of a democratic opposition, it appears that at best only a fragment of the small Democratic Socialist group could be persuaded to return to the Italian Government in the near future. Party leader Saragat, who has favored keeping the party in the government, may be outvoted at the central committee meeting scheduled for 31 January, according to the chief of the Democratic Socialist labor union.

If the Christian Democrats form a minority government, they will first face an internal struggle to determine whether it is to depend on support from the right or left. A right-of-center government, under a rightist such as Interior Minister Tambroni or former Foreign Minister Piccioni, might look to the Monarchists and Liberals for support. A left-of-center government, possibly under former Premier Segni, would probably hope for Socialist support. Either government might also depend on ad hoc support from right or left depending on the measures involved.

Should the problem not be solved by the Christian Democrats' party congress from 11 to 13 April, President Gronchi might see fit to call national elections during 1959. Gronchi may feel that Nenni's victory over the pro-Communists in his party has strengthened his ability to draw both Democratic Socialist and dissident Communist support if elections are held soon. He may feel also that the increased possibility of future parliamentary support from the Nenni Socialists might similarly increase the strength of the Christian Democratic left wing in new elections.

If such elections are decided on, Parliament will probably be dissolved by April, since Italy's postwar custom has been to hold national elections before summer and to allow virtually all of the statutory 70-day waiting period to elapse.



Mexican-Guatemalan Fishing Dispute Worsening

Guatemalan President Ydigoras has rejected Mexico's protests over the strafing of its shrimpers while they were allegedly violating Guatemalan territorial waters and has refused to submit the matter to the International Court of Justice. He repudiated conciliatory statements by his ambassador to Mexico, charged that the boats were smuggling arms, made unsubstantiated charges of a Mexican military build-up, and intimated that he fears an invasion.

The Mexican boats may well have been within three miles of the Guatemalan coast, where shrimping close to shore is known to be good. Mexico's strongest argument is that the strafing attack, which killed three and injured 14, was not justified "police action" as claimed by Ydigoras. Ydigoras' exploitation at this time of a long-standing Mexican practice seems primarily designed to strengthen his domestic political position. Although Ydigoras probably does not want an armed conflict and has ordered the army to stay 15 miles from the border, he has authorized Guatemalan Air Force reconnaissance flights within three miles of Mexico, where a slight miscalculation could cause a serious incident.

Mexico appears genuinely determined to settle the issue peacefully, despite inflammatory attacks on Ydigoras by Guatemalan exiles in Mexico and by nationalistic Mexican newspapers and student and labor groups.

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Cuban Leader Continues Bitter Attacks on United States

Fidel Castro bitterly attacked United States policies during his triumphal visit to Venezuela which began on 23 January. Before wildly cheering crowds in Caracas, he charged the United States with intervening in favor of dictators ever since Cuba became independent. In the same context in which he urged an international campaign against remaining Latin American dictators, he publicly called for the "liberation" of Puerto Rico from the United States. He claimed that even now "the international monopolies" are campaigning to discredit the Cuban revolution.

Castro's speeches in Venezuela have continually emphasized the call for the unity of the "democratic" nations of Latin America, with Cuba and Venezuela in the forefront, to provide "defense from dictators at home as well as from the encroachments of alien interests." He repeatedly urged unity against the regimes in the Dominican Republic, Nicaragua, and Paraguay. He referred to the Organization of American States as a worthless organization. One Venezuelan commented that Castro had come to expound a new doctrine--a Latin American doctrine as opposed to a hemispheric one.

On 24 January, after Castro had repeatedly attacked the US Army, Navy, and Air missions for the training they gave the Cuban armed forces under Batista, the Cuban Government "accepted the offer" of the United States to withdraw the missions. However, the details of the withdrawal are still to be discussed.

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The Secretary of State

The Under Secretary of State

The Under Secretary of State for Economic Affairs

The Deputy Under Secretary for Political Affairs

The Deputy Under Secretary for Administration

The Counselor

Director, International Cooperation Administration

The Director of Intelligence and Research

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The Secretary of the Navy

The Secretary of the Air Force

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Chief of Staff, United States Air Force

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Director of Naval Intelligence, Department of the Navy

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